

PUBLIC DISCLOSURE

FEBURARY 6, 2002

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

COMMONWEALTH UTILITIES EMPLOYEES' CREDIT UNION

**312 WAREHAM ROAD, UNIT B
MARION, MASSACHUSETTS 02738**

**DIVISION OF BANKS
ONE SOUTH STATION
BOSTON, MA 02110**

NOTE:	This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion or opinion of the Division of Banks concerning the safety and soundness of this financial institution.
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GENERAL INFORMATION

The Community Reinvestment Act (CRA) requires the Division of Banks (Division) to use its authority when examining financial institutions subject to its supervision, to assess the institution's record of meeting the needs of its entire membership, including low and moderate-income borrowers, consistent with safe and sound operation of the institution. Upon conclusion of such examination, the Division must prepare a written evaluation of the institution's record of meeting the credit needs of its community.

This document is an evaluation of the Community Reinvestment Act (CRA) performance of Commonwealth Utilities Employees' Credit Union prepared by the Massachusetts Division of Banks, the institution's supervisory agency.

INSTITUTION'S CRA RATING: This institution is rated "Satisfactory".

As an industrial credit union which identifies its membership according to affiliation rather than location in accordance with 209 CMR 46.41, Commonwealth Utilities Employees' Credit Union was evaluated utilizing the following three performance criteria: 1) Average Loan to Share Ratio, 2) Lending to Borrowers of Different Incomes and 3) Fair Lending. No geographic performance factors were considered.

The average loan to deposit (share) ratio of 62.9 percent for the examination period afforded the credit union a satisfactory rating. This percentage indicates a willingness to return deposits (shares) to its membership in the form of credit.

Lending to Borrowers of Different Incomes was found to be satisfactory due to the reasonable percentage of loans granted to low and moderate-income members.

The credit union's fair lending performance is also considered to meet the standards of satisfactory performance.

PERFORMANCE CONTEXT

Description of Institution

Commonwealth Utilities Employees' Credit Union was chartered by the Commonwealth of Massachusetts in 1926. The credit union was established to meet the savings and credit needs of employees of the Commonwealth Energy System.

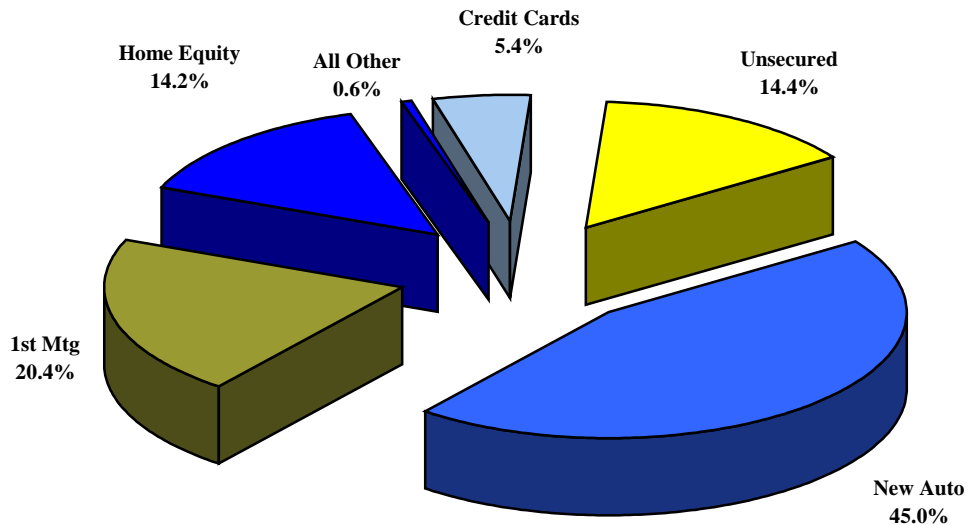
The credit union's main office is located at 312 Wareham Road (Unit B) in Marion, Massachusetts. This office was opened in July 2001. The previous office located at 2421 Cranberry Highway in Wareham, Massachusetts was closed in June 2001. Office hours are 8:00 a.m. to 4:30 p.m., Monday through Friday and appear to be convenient and accessible to members. The credit union employs 3 full-time employees and 2 part-time employees.

In November 2001, the credit union opened an off-site Automatic Teller Machine (ATM) at the Nstar Corporate Main Office, One Nstar Way in Westwood, Massachusetts. The credit union's ATM does not charge members or outside users any fees. Additionally, the credit union's ATM cards are connected to the NYCE and Cirrus networks. The credit union provides members with check cashing abilities, in addition to direct deposit for payroll and automatic payroll deduction for loan payments.

As of December 31, 2001, the credit union had total assets of \$28,627,404, with total loans of \$14,758,647 or 51.5 percent of total assets. New automobile loans account for the highest percentage (45.0 percent) of the credit union's loan portfolio, followed by first mortgage loans with 20.4 percent. Home Equity, unsecured, credit card and other loans account for the remaining of the loan portfolio.

The following chart illustrates the composition of the loan portfolio.

Loan Portfolio
Commonwealth Utilities Employees Credit Union
as of December 31, 2001



Source: 5300 Call Report

The credit union was last examined for compliance with the Community Reinvestment Act by the Commonwealth of Massachusetts Division of Banks on August 13, 1998. That examination resulted in a CRA rating of Satisfactory.

Description of Assessment Area (Membership)

According to the Massachusetts Community Reinvestment Act Regulation, 209 CMR 46.41, a credit union whose membership is not based on residence may delineate its membership as its assessment area.

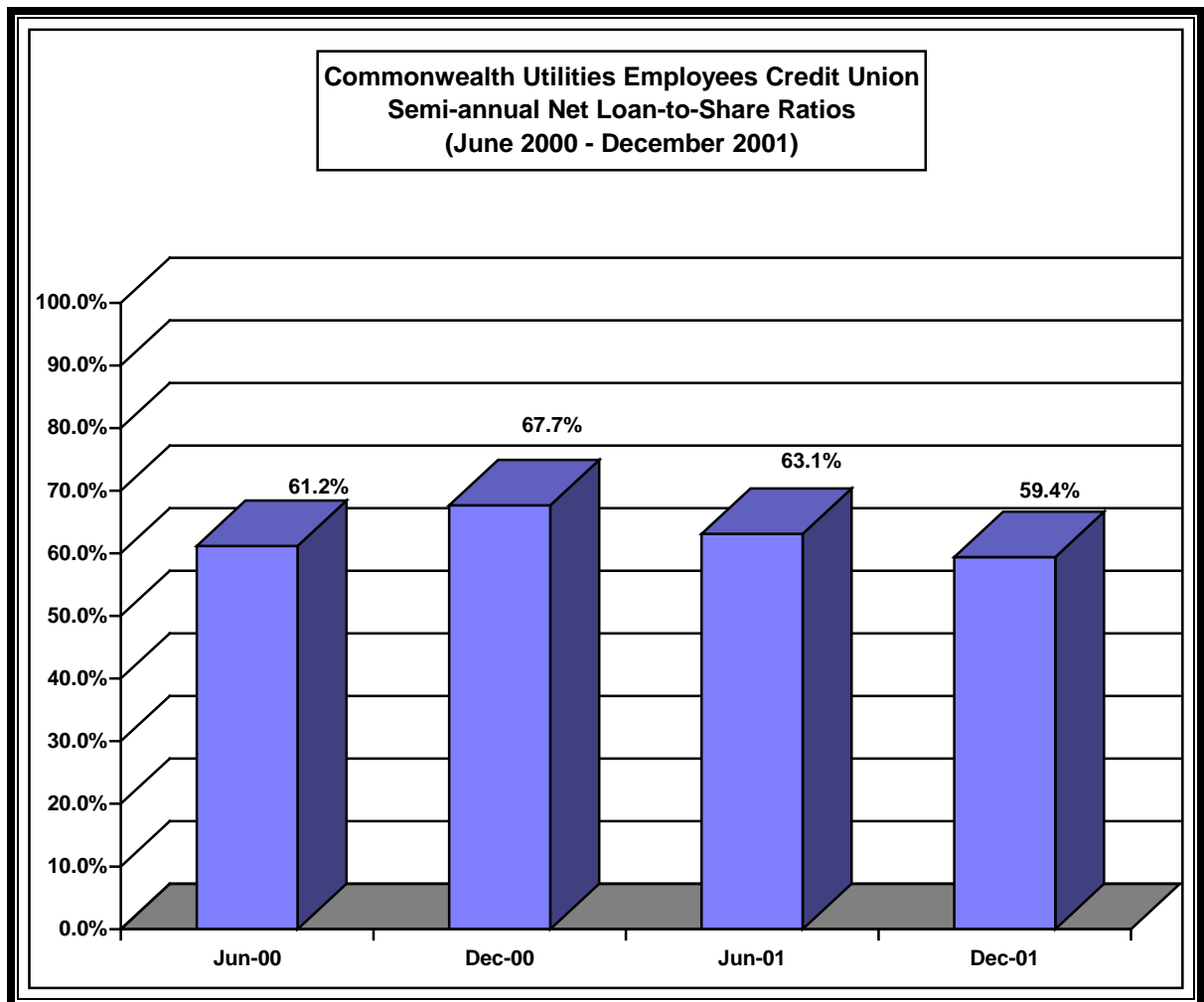
According to its by-laws, membership in the Commonwealth Utilities Employees' Credit Union's is limited to employees or retired employees of the Commonwealth Energy System and its subsidiaries, employees of the Corporation, and their immediate family. The credit union currently has 1,990 members.

PERFORMANCE CRITERIA

1. NET LOAN TO DEPOSIT (SHARE) RATIO

The first performance criterion is an evaluation of the institution's average net loan to deposit (share) ratio. This ratio considers Commonwealth Utilities Employees' Credit Union's semi-annual net loan-to-share ratios for the period beginning June 2000 through December 2001. The ratio is based on loans net of the allowance for loan and lease losses as a percentage of total shares. Using the credit union's four most recent semi-annual NCUA 5300 Reports, the average net loan-to-share ratio for this period was determined to be 62.9 percent. This evaluation was conducted to determine the extent of the credit union's lending compared to deposits received from its membership.

The following graph illustrates the loan to share trends.



Source: 5300 Call Reports

During the period depicted above, net loans increased by 10.0 percent, while shares increased by 13.4 percent. The increase in shares is due to the high interest rates on Certificate of Deposit offered by the credit union. Accordingly, the net loan to deposit (share) ratios display a downward trend.

Based on the above information and the credit union's capacity to lend, its asset size, the types of loans available at the credit union, and the lending opportunities available for its membership, the credit union's net loan-to-deposit (share) ratio is considered to meet the standards for satisfactory performance.

2. COMPARISON OF CREDIT EXTENDED INSIDE AND OUTSIDE OF THE ASSESSMENT AREA (S)

The second performance criterion examines an institution's record of lending within its assessment area. However, under the CRA regulations, 209 CMR, section 46.41, a credit union whose membership is not based on residence, such as the Commonwealth Utilities Employees' Credit Union, may define its assessment area as its membership.

Since the credit union has elected to define its membership in this manner, no geographic performance factors were considered.

3. DISTRIBUTION OF CREDIT AMONG DIFFERENT INCOME LEVELS

The third performance criterion evaluates the extent to which Commonwealth Utilities Employees' Credit Union lends to members of different income levels.

Mortgage Loans

The credit union acquires purchase money mortgages from Members Mortgage Corporation. The credit union purchased 7 first mortgage loans totaling \$764,750 in 1999, 5 mortgage loans totaling \$508,000 in 2000, and 8 first mortgage loans totaling \$1,053,600 in 2001. These loans were not reviewed as the majority of the credit union's loan portfolio represents consumer loans.

Consumer Loans

In order to determine the distribution of credit based upon the income levels of borrowers, a loan review consisting of a sample of originated consumer loans and home equity loans was conducted for the period January 1, 1999, through December 31, 2001. This review compares the borrower income to the Median Family Income for the Metropolitan Statistical Area (MSA) in which the borrower resides. Originations were categorized by the ratio of the applicant's reported income to the estimated 1999, 2000 and 2001 median family incomes of the New Bedford Metropolitan Statistical Area (MSA), which are \$42,100, \$43,600 and \$46,300, respectively. The income figures are based on estimated Department of Housing and Urban Development (HUD) information.

Low income is defined by the US Census Bureau as income below 50 percent of the median family income level for the Metropolitan Statistical Area (MSA). Moderate income is defined as income between 50 and 79 percent of the median family income level for the MSA. Middle income is defined as income between 80 and 119 percent of the median income. Upper income is defined as income equal to or greater than 120 percent of the median income.

Commonwealth Utilities Employees' Credit Union extended 677 consumer loans in 1999, 649 consumer loans in 2000, and 598 consumer loans in 2001. A sample of 75 consumer loan originations representing a mixture of auto loans, secured and unsecured installment loans was reviewed.

The table below indicates that 7.0 percent of the number of loans were granted to low-income members and 13.0 percent to moderate-income members. Middle-income individuals received 21.0 percent, and upper-income members were granted 59.0 percent of the loans.

CONSUMER LOANS BY INCOME OF BORROWER (NUMBER)

% OF MEDIAN MSA INCOME	1999		2000		2001		TOTAL	
	#	%	#	%	#	%	#	%
<50%	0	0.0	3	12.0	2	8.0	5	7.0
50% - 79%	1	4.0	4	16.0	5	20.0	10	13.0
80% - 119%	2	8.0	3	12.0	11	44.0	16	21.0
120% >	22	88.0	15	60.0	7	28.0	44	59.0
TOTAL	25	100%	25	100%	25	100%	75	100%

Source: In-house files

The analysis by dollar amount shows a similar distribution with 5.0 percent of the sample of loans to low-income members, 14.2 percent to moderate-income members, 17.0 percent to middle-income members, and 63.8 percent to upper-income members.

CONSUMER LOANS BY INCOME OF BORROWER (DOLLAR)

% OF MEDIAN MSA INCOME	1999		2000		2001		TOTAL	
	\$(000)	%	\$(000)	%	\$(000)	%	\$(000)	%
<50%	0	0.0	31	10.7	14	5.9	45	5.0
50% - 79%	10	2.7	50	17.1	67	28.3	127	14.2
80% - 119%	40	10.9	31	10.6	81	34.3	152	17.0
120% >	317	86.4	180	61.6	74	31.5	571	63.8
TOTAL	100%	100%	292	100%	236	100%	895	100%

Source: In-house files

The distribution of loans to low and moderate-income members appears reasonable. The majority of originations are within the middle and upper income categories where the relatively high salaries of employees are considered quite competitive in comparison to the median MSA incomes.

It should be also noted that the majority of consumer loans were granted to single applicants and the percentage of originations occurring in low and moderate-income levels may tend to be somewhat higher since individual incomes are compared to median family income, thereby skewing the distribution.

Home Equity Loans

The Commonwealth Utilities Employees' Credit Union extended 14 home equity loans in 1999, 33 home equity loans in 2000, and 28 home equity loans in 2001. A sample of 19 home equity loans was reviewed to determine the distribution of credit based on the income levels of borrowers.

Of the total home equity loans sampled, no loans were granted to borrowers of low income. Moderate-income borrowers received 5.3 percent, and middle and upper-income borrowers were granted 10.5 percent and 84.2 percent of the sampled loans, respectively.

By dollar amount, 2.5 percent of the sampled Home Equity loans were granted to borrowers of moderate income, 5.8 percent to middle-income borrowers, and 91.7 percent to upper-income borrowers.

It should be noted that home equity loans are made mostly on the basis of joint income and are compared to median family income. As this is an appropriate comparison, the distribution of home equity loans appears to be a valid distribution.

Based upon consumer and home equity loans by borrower income, it appears that the credit union's lending is adequately distributed to borrowers of various income levels, including those of low and moderate-income. Performance in this category is therefore considered to meet the standards for satisfactory performance.

4. GEOGRAPHIC DISTRIBUTION OF LOANS

As mentioned above, since Commonwealth Utilities Employees Credit Union has defined its assessment area as its membership, in accordance with 209 CMR 46.41, no evaluation of geographic performance factors was conducted.

5. REVIEW OF COMPLAINTS AND FAIR LENDING POLICIES AND PRACTICES

REVIEW OF COMPLAINTS

Commonwealth Utilities Employees' Credit Union has not received any complaints related to its CRA performance since the previous examination. However, the credit union has procedures in place should any consumer complaints related to CRA be received.

FAIR LENDING POLICIES AND PRACTICES

The credit union has included a Fair Lending Statement in its Lending Policy. The following demonstrate how the credit union's fair lending activities relate to the guidelines set forth in the Division of Banks Regulatory Bulletin 2.3 - 101.

The credit union's marketing activities include the use of bulletin boards located in its facilities, lobby brochures, and statement stuffers in correspondence sent out to members.

Outreach activities include a presentation on products and services offered at the orientation meeting for newly hired employees. The credit union's manager attends retirees meetings to keep them informed of current financial issues and any changes that may affect them.

The credit union refers its members to Members Mortgage Corporation, which offers a first-time homebuyer product with flexible terms and low administrative costs. Credit counseling is also offered to members.

The credit union has established a website, www.CUECU.com, with descriptions of all loan products, services offered and e-mail capabilities.

A second review policy, in which the credit committee completes a second review of rejected loan applications to ensure that credit is granted in accordance with credit unions' policies and applicable laws, is established.

THE COMMONWEALTH OF MASSACHUSETTS

To the COMMISSIONER OF BANKS:

THIS IS TO CERTIFY, that the report of examination of the

COMMONWEALTH UTILITIES EMPLOYEES' CREDIT UNION

for compliance with applicable consumer and fair lending rules and regulations and the Community Reinvestment Act (CRA), as of the close of business **FEBURARY 6, 2002**, has been read to or by the undersigned and the matters referred to therein will have our immediate attention.

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A majority of the Board of Directors/Trustees

Dated at _____ this _____ day of _____ 20 _____

PERFORMANCE EVALUATION DISCLOSURE GUIDE

Massachusetts General Laws Chapter 167, Section 14, as amended, and the Uniform Interagency Community Reinvestment Act (CRA) Guidelines for Disclosure of Written Evaluations require all financial institutions to take the following actions within 30 business days of receipt of the CRA evaluation of their institution:

- 1) Make its most current CRA performance evaluation available to the public;
- 2) At a minimum, place the evaluation in the institution's CRA public file located at the head office and at a designated office in each assessment area;
- 3) Add the following language to the institution's required CRA public notice that is posted in each depository facility:

"You may obtain the public section of our most recent CRA Performance Evaluation, which was prepared by the Massachusetts Division of Banks, at (Address at main office)."

[Please Note: If the institution has more than one assessment area, each office (other than off-premises electronic deposit facilities) in that assessment area shall also include the address of the designated office for that community.]

- 4) Provide a copy of its current evaluation to the public, upon request. In connection with this, the institution is authorized to charge a fee which does not exceed the cost of reproduction and mailing (if applicable).

The format and content of the institution's evaluation, as prepared by its supervisory agency, may not be altered or abridged in any manner. The institution is encouraged to include its response to the evaluation in its CRA public file.